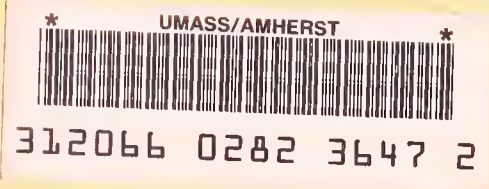


MASS. GC6. PA11: M312



*Massachusetts
House of Representatives*

COMMITTEE ON
GOVERNMENT
JUL 20 1993
UNIVERSITY OF MASSACHUSETTS
LIBRARY



House Post Audit and Oversight Committee

Kevin W. Fitzgerald
Chairman

820/125



The General Court of Massachusetts
House Committee on Post Audit and Oversight
Room 146, State House
Boston, Massachusetts 02133
Telephone (617) 722-2560

Rep. Kevin W. Fitzgerald
Chairman

17th Suffolk District
Jamaica Plain / Mission Hill

February, 1982

To: Representative Thomas W. McGee, Speaker of the House and
Honorable Members of the General Court

The House Post Audit and Oversight Bureau was established by section 282 of Chapter 351 of the Acts of 1981. Its purpose is to conduct under the direction of the House Committee on Post Audit and Oversight of the Massachusetts General Court, a legislative auditing program with special emphasis on performance auditing.

As Chairman of this Committee, I am pleased to present this report entitled Management Review: Inventory Control System.

Inventory control is a management responsibility that is shared by the Secretary of Administration and Finance, the State Comptroller and the heads of state agencies. As members of the legislature, we have appropriated in excess of \$55 million over the past three fiscal years for the purchase of equipment. In doing so, we must expect responsible officials at each organizational level to safeguard that investment by establishing and implementing uniform standards that will result in complete and accurate inventory control systems.

This report indicates that there are no uniform standards that address this management responsibility. Some agencies maintain current and accurate inventory records while others have no current records. A major reason for this situation is the absence of specific regulations for establishing and implementing a system to effectively monitor and control physical property. Included in this report is recommended legislation which will mandate an annual inventory by all state agencies.

Respectfully submitted,

A handwritten signature in dark ink, reading "Kevin W. Fitzgerald".

Kevin W. Fitzgerald
Chairman

Table of Contents

	Page
SUMMARY.	S-3
FOREWORD	iii
INTRODUCTION	1
Background	1
Rationale for Study	2
Scope of Study	3
Methodology	4
RESULTS OF SURVEY	6
Dept. of Public Works, Wellesley Depot	7
Dept. of Environmental Quality Engineering	8
Dept. of Public Welfare	8
Rate Setting Commission	9
Conclusion	11
APPENDICES	12
A - Comptroller's Letter	13
B - Equipment Expenditures by Secretariat	16
C - HPAB Inventory Questionnaire	17
D - Results of Inventory Test Check	22
E - Analysis of Equipment (15) Account by Type	24

SUMMARY

Statewide equipment expenditures exceeded \$55,000,000 for the three year period from Fiscal Year 1978 through Fiscal Year 1980. The \$11.1 million spent on equipment in 1978 spiralled to \$23.5 million in Fiscal Year 1980, a significant increase of 111% (See Table 1). This substantial investment of the public's money clearly demands a system of property control that will guarantee the proper utilization, maintenance and procurement of equipment on an efficient and continuous basis. However, the findings of this report confirm the expressed concern of the House Post Audit and Oversight Committee that management deficiencies in inventory control are not limited to the community of public higher education. The same problems that were enumerated in our earlier report Inventory Control In Higher Education also surfaced in our survey of twenty-five non-educational state agencies. The following is a summary of the findings of the HPAB teams that used the agencies' records to locate and identify equipment.

- Five agencies had no current inventory records.
- Eight agencies had no written guidelines or instructions for conducting a physical inventory.
- At six of the agencies, more than 15% of the equipment listed on inventory records could not be located.
- One agency established two years ago was conducting its first inventory of physical property at the time the HPAB team was conducting its test check of that agency.
- Procedures for handling missing equipment were inconsistent.

- Ten agencies' inventory records were found to be accurate, but it should be noted that four of these agencies were comparatively small and had only 400 pieces of equipment or less.

As indicated in our Inventory Control in Higher Education report, the final responsibility for inventory control for all state agencies rests with the Secretary for Administration and Finance. The rules and regulations developed and adopted in 1923 by the former Commission on Administration and Finance required that all state agencies inventory all physical property under their control according to the direction of the State Comptroller. However, those rules and regulations required only that an inventory be taken annually on June 30th and that inventory records be kept current. The regulations contained no instructions for establishing and implementing procedures that would be used by all state agencies to effectively monitor the accuracy of physical property records. It should be noted that the regulations have not been amended since November 21, 1923. Yet there had been no additional instructions issued for the guidance of Departments, Commissions and other State activities with respect to inventory control prior to the release of the Post Audit 1980 inventory report.

Following the release of the Post Audit Committee's report Inventory Control in Higher Education, the State Comptroller issued a memorandum to all state agencies that included a general outline of procedures that should be used for inventory control of physical property (See Appendix A).

In addition, the Secretary for Administration and Finance is currently reviewing existing inventory control systems at several state agencies in order to establish a standard reporting procedure for the annual inventory. The implementation of these procedures should ultimately result in more effective management of inventory control.

Moreover, the House Committee on Post Audit and Oversight will recommend legislation that requires all state agencies to conduct an annual inventory of furnishings and equipment, to include a categorization and dollar value of the items to be inventoried and also a procedure for reporting the disappearance of equipment. The enactment of this legislation will be the initial step in the safeguarding of state property and in the better management of the taxpayers' investment.

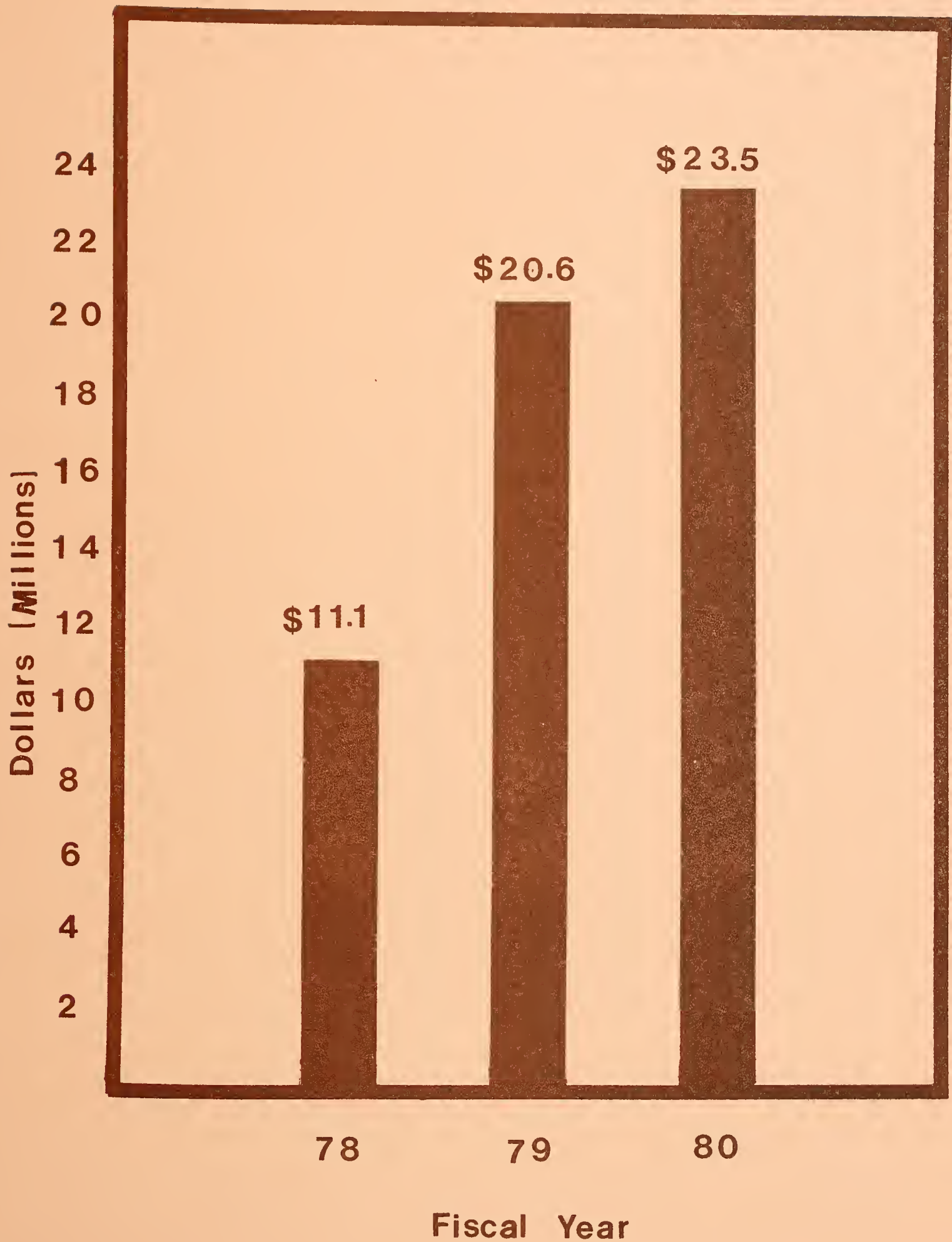


Digitized by the Internet Archive
in 2013

<http://archive.org/details/managementreviewi00mass>

TABLE 1

EQUIPMENT EXPENDITURES
ALL STATE AGENCIES
FISCAL YEARS 1978,79,80



FOREWORD

Physical inventories conducted on a timely basis are one of the most reliable methods of protecting a state agency's furnishings and equipment, thereby insuring the most prudent utilization of millions of taxpayers' dollars. Unfortunately, to accomplish this it requires an arduous and time consuming task which may disrupt the day to day operation of an agency for varied periods of time. Because of this, many agencies either assign the annual physical property inventory a very low priority or disregard it entirely. The results of this indifferent attitude were clearly shown in a recent Post Audit study of property control at ten state institutions of higher education where millions of dollars worth of equipment could not be located.

Accurate inventory control is an essential management tool for effective utilization, maintenance and procurement of furnishings and equipment. The key support element in an effective system is the maintenance of complete and current inventory records. These records should include at a minimum an accurate description and cost of the property, identification number, location of the property and also indicate whether the property has been loaned or transferred. The records should be continually updated to reflect all activity which would include new equipment received, and existing equipment being lost, stolen or transferred to other agencies. Undertaking a complete physical inventory on an annual basis will discourage thefts, carelessness or negligence in the management of millions of dollars worth of state-owned equipment. This report examines those management functions that are so vital to insure a reliable system of inventory control.

I wish to thank the Commissioners of the various state agencies and their respective staffs for their cooperation and assistance during this study.

As in previous summers, the Committee assigned summer interns to participate in this study. I would like to acknowledge the assistance provided by the following summer interns whose contributions to this review enabled the House Post Audit Bureau to complete a thorough testing of inventory systems at twenty-five state agencies and departments during a six week period.

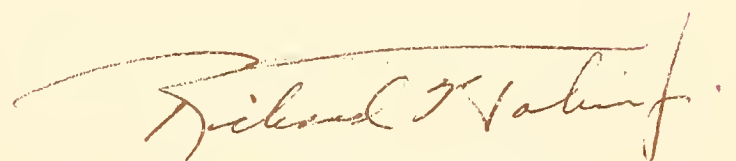
Patricia Bresnahan
Joseph Keane
Mark Sampson
Luke Stanton
Siorhan Power
John Addonizio
Michelle DeTour
Paul Graney
Thomas O'Connor
Cheryl Frontero

Ronald Beauregard
Eileen Donovan
Aylene Watts
Kenneth Winneg
David Cummings
Richard Foley
Nancy Peterson
Michael Leyne
Mary Cheever

Prior to this assignment, the summer interns were given an orientation program at Bunker Hill Community College. I am grateful to President Harold Shively and his staff for offering the facilities of the college for this orientation program.

This study was under the direction of Mr. Robert M. Brigham and assisted by Mr. Michael J. Del Vecchio. Staff supervisors assigned to oversee the intern teams were Timothy Burke, Dean Cushing, Marion Donoghue and James Hanifin.

February, 1982



Richard F. Tobin, Jr.
Director

INTRODUCTION

Inventory accounting is another area which requires improved internal controls. At present, agency heads do not know which inventories—fixed assets and operating supplies—they are responsible for, what is available, where it is located or its present condition. A system of inventory accounting is needed to assign responsibility for control and custody of agency property and provide essential data for proper management of resources.

The Governor's Management
Task Force Report (1979)

Background

Ultimately the responsibility for inventory control for all state agencies rests with the Secretary for Administration and Finance. According to Chapter 7, Section 22 of the General Laws, the Secretary is mandated to promulgate rules and regulations for the purchasing, delivery and handling of supplies, equipment and property. Such rules and regulations were developed and adopted by the former Commission on Administration and Finance on November 21, 1923. It requires all Departments, Commissions and other activities of the State to inventory all physical property under their control according to the direction of the Comptroller. Accordingly, the State Comptroller has issued the following directives for inventory on page 154 of his Accounting Manual:

A. Responsibility of Spending Agencies:

Rule 12 of the rules and regulations covering purchasing states:

"Departments, Commissions and other activities of the State will inventory under the direction of the Comptroller, the physical property under their control. Such inventory will indicate all items of property that are unsuitable or in excess of the requirements. Except as provided in Section 42, Chapter 30 of the General Laws, whenever possible, material, supplies,

equipment and other property for which there is no further use, shall be sold, transferred, or otherwise disposed of to the best interests of the State, either by the State Purchasing Agent or under his specific authorization."

B. Date of Inventory:

The Comptroller has fixed June 30th as the annual date on which this inventory is to be taken.

C. Inventory To Be Kept Current:

Spending agencies will maintain an inventory of physical property and will currently enter changes as they occur.

D. A current record must be maintained of state owned property in the custody of employees.

It should be noted that Rule #12 has not been amended since November 21, 1923 and the Accounting Manual of the Comptroller was most recently revised on November 15, 1973. Yet, there had been no additional instructions issued for the guidance of Departments, Commissions and other State activities with respect to inventory control until the State Comptroller issued a memorandum on June 8, 1981 presenting a general outline of procedures to be used in inventory control.

Rationale for Study

During the summer of 1980, the Post Audit Bureau conducted a study of management control of physical property inventory systems at ten institutions of higher education. The final report identified a number of major problem areas. With few exceptions, there was an absence of written guidelines and uniform procedures for conducting physical property inventories. Several institutions had no current records of furnishings and equipment and at many institutions, equipment lacked proper identification tags. As a result of these deficiencies it was estimated that thousands of items worth millions of dollars could not be located.

Noting the ineffective management control at institutions of higher education, the Committee on Post Audit and Oversight expressed its concern that this situation might be widespread throughout state government, not merely in higher education. A review of equipment expenditures by Secretariat from Fiscal Year 1978 through Fiscal Year 1980 (See Appendix B), indicated that millions of dollars were spent on equipment in numerous other Secretariats in addition to Educational Affairs. As a result, the Bureau was directed to expand its investigation to other state departments and agencies.

Scope of Study

The study focused on twenty-five state agency locations in the greater Boston area. Under the direction of Post Audit staff, nineteen summer intern students assisted in completing the on-site inventory reviews at various agencies. The following agencies and departments were selected for the study.

Department of Public Works
100 Nashua Street, Boston

Department of Correction
100 Cambridge Street, Boston

Department of Public Works
Wellesley Depot, Wellesley

Rate Setting Commission
One Ashburton Place, Boston

Department of Public Works
Research and Material Division, Wellesley

Department of Revenue
100 Cambridge Street, Boston

Metropolitan District Commission
20 Somerset Street, Boston

Department of Mental Health
Lindemann Center, Boston

Department of Public Health
600 Washington Street, Boston

Department of Youth Services
Judge Connelly Youth Center,
Roslindale

Department of Public Health
State Laboratory Institute
Jamaica Plain

Department of Commerce and
Development
100 Cambridge Street, Boston

Department of Public Welfare
600 Washington Street, Boston

Department of Environmental
Quality Engineering
Division of Hazardous Waste
1-11 Winter Street, Boston

Department of Public Welfare
41-43 Hawkins Street, Boston

Division of Waterways
1-11 Winter Street, Boston

Department of Social Services
Central Office
150 Causeway Street, Boston

Division of Water Pollution
Control
1-11 Winter Street, Boston

Department of Social Services
Regional Office VI
69 Canal Street, Boston

Department of Public Safety
1010 Commonwealth Avenue, Boston

Massachusetts Rehabilitation Commisison
1 Hamilton Place, Boston

Division of State Police
1010 Commonwealth Avenue, Boston

Massachusetts Rehabilitation Commission
80 Boylston Street, Boston

Massachusetts Rehabilitation Commission
59 Temple Place, Boston

Department of Public Safety
Division of Criminal Justice Information Systems
1010 Commonwealth Avenue, Boston

Approximately 22,000 items were test checked during the study.

Among the types of equipment were typewriters, calculators, adding machines, dictating machines, transcribers, cameras, laboratory instruments and highway equipment.

Methodology

In order to verify and evaluate inventory control systems at the selected state agencies and departments, four teams of student interns were formed, each under the direction of a Post Audit Bureau staff member. The teams used a standard questionnaire developed by the Bureau to evaluate each agency's administrative procedures for inventory control (See Appendix C).

The information gathered was in the areas of:

- Agency procedures for conducting a physical inventory.
- Agency policies for purchasing and receiving physical property.
- Agency security procedures.

The teams then tested the accuracy of the agencies' inventory records by checking selected equipment and comparing the results against the agencies' inventory records.

This report summarizes the findings of the Bureau based upon the information gathered from the questionnaire and the accuracy of agency inventory records as determined from our test checks of physical property.

RESULTS OF SURVEY

The Post Audit teams were unable to conduct physical inventory tests at four state agencies because they did not maintain updated property records. These agencies were the Department of Correction, 100 Cambridge Street, the Metropolitan District Commission, 20 Somerset Street, the Department of Public Welfare, 600 Washington Street and the Department of Public Works Research and Material Division in Wellesley.

The Department of Public Works at 100 Nashua Street did not have current records and had not performed a complete physical inventory since 1961. However, because this agency was the largest in terms of equipment on hand, two Post Audit teams attempted to do an inventory check based upon available records. Equipment data was recorded on index cards but was assigned location by either room, section or in some cases by department head. Such a non-uniform system is symptomatic of the failure of the State to have written guidelines or instructions for conducting an inventory. In addition, many of the cards did not indicate equipment identification numbers. Overall, nearly 6,000 items were checked and approximately 1,000 or 17% of the items could not be located.

The information contained in the inventory records varied widely among the remainder of the agencies surveyed. The most organized and detailed records were found at the following agencies:

Department of Public Safety

Division of State Police

Department of Commerce and Development

Department of Environmental Quality Engineering

Division of Waterways

Division of Water Pollution Control

Rate Setting Commission

Department of Revenue

Department of Public Health, State Laboratory Institute

Massachusetts Rehabilitation Commission, Statler Office Building

Division of Youth Services, Judge Connelly Center

Dept. of Public Works, Wellesley Depot

The Department of Public Works' Wellesley Depot property records for tools and equipment were so outdated that it was virtually impossible for our team to reconcile the equipment with inventory index cards.

The rolling stock (trucks, etc.) inventory records at Wellesley were also disorganized and outdated. Forty-five pieces of rolling stock were checked and only twenty-six had registration and equipment numbers that matched those on the inventory records. The remaining nineteen either lacked equipment and registration numbers or were simply not recorded on the inventory records.

The inventory records for office equipment (desks, chairs, filing cabinets, etc.) were also deficient. These inventory cards were supposed to include only items for the Wellesley Depot but it was found that much of the equipment was actually located at 100 Nashua Street, Boston. Moreover, forty-three of the five hundred and forty-two cards including many expensive typewriters had only "Wellesley Depot" for the location designation rather than location by room number.

In conclusion, the system of maintaining property control at the Wellesley location is burdened with so many significant deficiencies that it is virtually impossible to conduct a physical inventory on an annual basis

that would be an effective management tool to uncover thefts or negligence of state-owned property.

Dept. of Environmental Quality Engineering

The inventory records at the Department of Environmental Quality Engineering, Division of Hazardous Waste, located at One Winter Street, Boston consisted of a handwritten list that indicated only which employee had what piece of office equipment. Typewriters, adding machines and calculators that were located were not included on the Division's records. Moreover, there were no identification tags of any type attached to the equipment.

Dept. of Public Welfare

Our review of the inventory records at the Department of Public Welfare at 41-43 Hawkins Street, Boston was a prime example of the difficulties that are encountered when equipment is transferred from one location to another but not indicated as such on the inventory records. When the HPAB team found that a substantial number of items could not be located after completing their inventory check, department personnel repeatedly stated that furniture and equipment had been moved from floor to floor and from one building to another building. These transfers, however, were not shown on the records, thereby making it impossible to maintain an accurate inventory control of physical property.

Eight of the state agencies surveyed had no written guidelines for the control of physical property. We do not refer here to the general outline that was developed by the State Comptroller in June 1981, but rather to internal guidelines developed and implemented by the agencies.

Rate Setting Commission

It is not the position of this Bureau that an agency under certain circumstances could not adequately control physical property without written guidelines. The Rate Setting Commission, for example, does not have written guidelines, yet our inventory check of the furnishings and equipment turned out to be nearly 100% accurate. The primary reason for this high level of accuracy is that the Commission maintains very detailed and updated inventory records. Secondly, there is one employee who is specifically charged with the responsibility of accounting for physical property and finally this agency is relatively small with less than two hundred pieces of furnishings and equipment and is in one location.

Written guidelines, however, are a valuable aid in establishing an effective inventory program and are essential in larger agencies with several locations. Such guidelines can assign specific responsibilities to those involved in the property control system; determine exactly what equipment should be inventoried; set up uniform procedures for receiving, identifying and entering property into the inventory records; determine a uniform course of action in cases of lost or stolen equipment and finally insure a continuity of the system in the event of personnel or organizational changes.

The establishment of written guidelines alone will not necessarily result in a reliable inventory system. As previously stated, a vital component of a sound inventory control structure requires that agencies maintain complete and current inventory records. The most detailed and extensive written guidelines are useless if accurate property records are not maintained. This was clearly evidenced at the Department of Public

Welfare which had developed an extremely detailed set of written guidelines for control of physical property. However, the property records were so outdated and incomplete, our audit team did not even attempt to reconcile the equipment on hand with the available records.

A summary of the results of the physical inventories conducted by the HPAB teams is shown in Appendix D. Because the majority of inventory records did not indicate a dollar value for items listed, it was not possible to determine the total value of the equipment which could not be located. However, when we consider that over 2,000 items could not be located in those agencies where equipment on hand was reconciled against inventory records together with the fact that four agencies could not be inventoried due to deficient inventory records, we would conclude that the total value of missing equipment was certainly significant and warrants specific corrective action. Therefore, we are recommending that the following proposed legislation be enacted:

AN ACT Requiring An Annual Inventory Of Furnishings And
Equipment.

SECTION 1. Section 17 of Chapter 7 of the General Laws, as most recently amended by section 1 of chapter 362 of the acts of 1923, is hereby further amended by the deletion in the third sentence of the following words: —, and may provide where he deems it necessary, for a continuing inventory thereof.

SECTION 2. Said section 17 is hereby further amended by the addition of the following new paragraph:

He shall require that all departments, offices, commissions and institutions of the Commonwealth conduct an annual inventory of furnishings and equipment based on rules and regulations and in a manner he so prescribes. Included therein shall be a categorization and dollar value of items required to be inventoried as well as a procedure for reporting the disappearance of items.

Conclusion

The need for this proposed legislation is further evidenced when we review statewide expenditures for equipment over the past three fiscal years, as shown in Appendix E. Expenditures have risen from \$11,129,275 in Fiscal Year 1978 to \$23,504,145 during Fiscal Year 1980, an increase of 111%. The total equipment expenditure for this three year period exceeded a \$55 million investment of the public's money and clearly demands a system of property control that will guarantee the proper utilization, maintenance and procurement of equipment and furnishings on an efficient and continuous basis. To accomplish this, there must be a clear line of responsibility for developing and maintaining a standard inventory control system for all state agencies. First, the Secretary for Administration and Finance, under the powers granted him by Section 22 of Chapter 7 of the General Laws, must develop and enforce rules and regulations requiring all state agencies to maintain perpetual inventory records and perform an annual physical inventory check in a manner prescribed by the State Comptroller. Secondly, the State Comptroller must develop a standard inventory control manual which details a step by step procedure for the inventory of equipment. Finally, the agency must implement the procedures set forth in the standard inventory control manual.

If this system is adopted, state agencies will obtain valuable information to assist in making management decisions. The legislature can expect more detailed information on which to base future budget decisions and the taxpayers' investment in equipment will be protected.



APPENDICES

- A - Comptroller's Letter
- B - Equipment Expenditure by Secretariat
- C - HPAB Inventory Questionnaire
- D - Results of Inventory Test Check
- E - Analysis of Equipment (15) Account by Type



The Commonwealth of Massachusetts

Executive Office for Administration and Finance

1 Ashburton Place

Boston, Massachusetts 02108

COMPTROLLER'S DIVISION

ROBERT E. SHEEHAN

COMPTROLLER

June 8, 1981

To: The Head of Each Spending Agency

Subject: Physical Property - Controls and Inventories

Dear Sir:

The importance of adequate accounting for physical property held by state agencies stems primarily from the fact that public funds are invested in such resources. Each agency should maintain an adequate and reliable system to provide a proper accounting for the investment in the property for which the agency has management responsibility. The following is a general outline of some procedures that should be used in the matter of property control and inventory.

A. Control

1. Each piece of equipment should have an identification number, e.g., serial number, tag number, etc., attached to it and also recorded on an accounting record; e.g., typed listing, card system, computer file, etc.
2. Acquisitions by purchase, transfer or other means must be recorded currently on the accounting records indicating date of acquisition, description, identification number, cost and location.
3. Authorized disposals of physical property should be recorded currently on the accounting records. Documentation, authorizing such disposals, must be readily available.
4. Inter-agency transfers of physical property should be recorded currently on the accounting records.
5. Loans of physical property, when property leaves the custody of the agency, must have proper authorization and should be entered currently on the accounting records. A receipt, containing a detailed description of the property and signed by the person responsible for receiving the loaned property, must be on file at the agency.

A. Control (Cont'd)

6. The use of dollar minimums for some kinds of property is a practical device that may be used to avoid unnecessarily detailed property accounting for items that are too small to warrant such accounting. A minimum of \$50.00 is recommended.
7. Effective procedures must be devised to provide assurance that all physical property is safeguarded, used properly for authorized purposes and measures taken to ensure adequate care and preservation.
8. A "property officer", charged with the responsibility of accounting for physical property, should be designated for each agency.

Rule 12 of the "Rules and Regulations Governing Purchasing" states:

"Departments, commissions and other activities of the State will inventory, under the direction of the Comptroller, the physical property under their control. Such inventory will indicate all items of property that are unsuitable or in excess of requirements.

Except as provided in Section 42, Chapter 30 of the General Laws, whenever possible, material, supplies equipment and other property for which there is no further use, shall be sold, transferred, or otherwise disposed of to the best interests of the State, either by the State Purchasing Agent or under his specific authorization."

The Comptroller has fixed June 30 as the annual date on which this inventory is to be taken.

B. Inventory

1. Physical inventories are necessary to check on the effectiveness of the accounting procedures to provide adequate and accurate information on the investment in physical property.
2. Classification of property should be established for accounting and reporting purposes to clearly disclose the nature of the physical property.
3. Monetary value must be attached to each item of physical property. Eventually each agency will submit to the Comptroller, for incorporation in his annual report to the legislature, the total monetary value, as of June 30, of physical property for which the agency has management responsibility.

B. Inventory (Cont'd)

4. The primary basis of accounting for property is cost to the agency responsible for its management. Where costs are either not known or not measurable, reasonable estimates or alternative methods, e.g., appraised values, may be used.
5. The frequency of random physical inventories (other than that of June 30) should be determined on the basis of such factors as the nature and value of property, physical security, control procedures relating to the receipt, issuance and custody of property and the results of previous inventories.
6. Differences between quantities determined by physical inspection and those shown on the accounting records should be investigated to determine the cause of the difference and to identify improvements in procedures to prevent errors, losses or irregularities.
7. The method of taking an inventory will be determined by the type, size and unique characteristics of an agency. Procedures common to most agencies would include:
 - a. A location identification control number on each form used for taking a physical inventory.
 - b. A pre-printed listing, by location, of items to be inventoried. Such a listing would have quantities omitted.
 - c. A description of each item inventoried, clearly identified by tag number, serial number, etc.
 - d. An explanation of any unusual circumstance.
 - e. The actual count clearly stated.
 - f. The date of taking indicated on all forms.
 - g. The signature of the person(s) that counted the items on the inventory form.
 - h. The independence of those taking the physical inventory. This should not be a person who is responsible for the items being inventoried.

Very truly yours,



Comptroller

Appendix B

EQUIPMENT EXPENDITURES BY SECRETARIAT FISCAL YEAR 1978 THROUGH FISCAL YEAR 1980

<u>Secretariat</u>	<u>Equipment Expenditures</u>		
	<u>FISCAL YEAR 1980</u>	<u>FISCAL YEAR 1979</u>	<u>FISCAL YEAR 1978</u>
Administration and Finance	\$ 2,063,966	\$ 2,994,060	\$ 832,621
Environmental Affairs	2,527,285	2,564,834	964,630
Communities and Development	63,215	27,100	11,133
Human Services	6,943,899	4,345,498	1,946,019
Transportation and Construction	2,117,196	1,810,793	1,089,769
Educational Affairs	4,183,848	4,666,707	3,513,262
Public Safety	2,647,140	1,991,172	1,495,936
Manpower Affairs	599,591	1,123,136	680,944
Elder Affairs	4,460	8,523	6,101
Consumer Affairs	221,226	22,958	43,448

Source: Massachusetts Financial Report
Public Document 140

POST AUDIT AND OVERSIGHT BUREAU
PHYSICAL PROPERTY INVENTORY STUDY
INFORMATION TO BE COLLECTED AT INITIAL AGENCY INTERVIEW

Agency/Institution _____

Address _____

Name and Title of Person(s) Interviewed: (1) _____

(2) _____

(3) _____

Date: _____

A. AGENCY PROCEDURES FOR CONDUCTING A PHYSICAL INVENTORY

1. Is a system of inventory control currently in place? Yes _____ No _____
2. Are there written instructions or guidelines for conducting a physical property inventory? Yes _____ No _____ (If so, request a copy of such guidelines).
3. Apart from the fact that department heads may conduct this actual physical inventory, do you have a specific employee who has the overall responsibility for all phases of the inventory? Yes _____ No _____
Name and Title: _____
4. What type of system is utilized for recording the location of physical property?

(a) Computer Printouts	Yes _____	No _____
(b) Index Cards	Yes _____	No _____
(c) Other (Briefly Explain)	Yes _____	

5. Is the location of physical property recorded by:

(a)	Building	Yes _____	No _____
(b)	Room Number	Yes _____	No _____
(c)	Department	Yes _____	No _____
(d)	Type of Equipment	Yes _____	No _____
(e)	Other(Briefly Explain)	Yes _____	

6. Do you inventory physical property that is obtained as a result of:

(a)	A gift or private grant	Yes _____	No _____
(b)	A federal grant	Yes _____	No _____
(c)	Rented or leased equipment	Yes _____	No _____
(d)	Purchases from federal funds	Yes _____	No _____
(e)	Inter-agency transfers	Yes _____	No _____
(f)	None of the above are applicable	Yes _____	
(g)	Capital Outlay Funds	Yes _____	No _____

6a. Is such equipment readily identified as not being purchased with state funds?

Yes _____ No _____

6b. How is it so designated?

7. Do you record a current estimated market value for each piece of equipment?

Yes _____ No _____ How do you arrive at this value:

8. Is the original cost of physical property indicated on your inventory records?
Yes _____ No _____
9. When was your most recent complete inventory of physical property conducted?
Date: _____
10. Briefly explain what procedure was used and what personnel were involved.
11. Could you indicate what percentage of the items checked could not be located?
_____ %
12. Does the agency have any standard procedures for locating items that are missing upon completion of an inventory? Yes _____ No _____ Please explain briefly.

B. AGENCY PROCEDURES FOR PURCHASING AND RECEIVING PHYSICAL PROPERTY

1. Does the agency have an employee who is responsible for purchasing all physical property? Yes _____ No _____
Name and Title _____
2. Does the agency have an employees who is responsible for the centralized receiving of all purchased equipment? Yes _____ No _____
Name and Title _____
3. Is one individual responsible for affixing identification markings on all purchased physical property as received and entering the appropriate information into the inventory records?
Name and Title _____
4. What type of marking system is used to identify equipment?
Metal Tags Yes _____ No _____
Engraving Yes _____ No _____
Paper Tags Yes _____ No _____
Other Yes _____
5. In the absence of a centralized receiving function, is purchased physical property received by other individuals or departments? Yes _____ No _____. Explain briefly how such property is marked and entered into the inventory records.
6. Has the agency established a minimum dollar value of items to be inventoried?
Minimum dollar value \$ _____

C. AGENCY SECURITY PROCEDURES

1. Does the agency have an individual who is responsible for the security of physical property? Yes _____ No _____
Name and Title _____
2. Does the agency have any written operating procedures for handling missing or stolen equipment? Yes _____ No _____
3. Does the agency report lost or stolen equipment to the local police? Yes _____ No _____
- 3a. Do you have a current list of stolen or missing equipment? Yes _____ No _____
4. If stolen or lost equipment has not been recovered after a certain period of time, is it removed from the inventory records? Yes _____ No _____
- 4a. How much time elapses before such equipment is removed from inventory records? _____
5. Are agency employees permitted to remove equipment from its normal work area for either personal or work-related use? Yes _____ No _____
- 5a. If removal of equipment is allowed, are employees required to sign an authorization sheet? Yes _____ No _____
- 5b. Is there a specific employee who must authorize the removal of equipment by employees? Yes _____ No _____
Name and Title _____
6. Does the agency have any written guideline for disposal or transfer of equipment? Yes _____ No _____
If not, explain briefly how such equipment is purged from inventory records.

Reviewed by _____

Date _____

Remarks _____

Appendix D

RESULTS OF INVENTORY TEST CHECK

The following categories rate the state agencies and departments according to the findings of the inventory tests. The ratings are based upon the percentage of items that were located and reconciled against their inventory records as follows:

"Accurate" - Located 90% to 100% of items checked

"Satisfactory" - Located 85% to 89% of items checked

"Unsatisfactory" - Located less than 85% of items checked

"Unacceptable" - No system of inventory control in place

<u>Agency</u>	<u>Accurate</u>	<u>Satisfactory</u>	<u>Unsatisfactory</u>	<u>Unacceptable</u>
Dept. of Revenue 100 Cambridge Street	x			
Mass. Rehabilitation Commission Statler Office Building	x			
Depart. of Environmental Quality Engineering Waterways Division	x			
Dept. of Commerce and Development 100 Cambridge Street	x			
Department of Public Safety 1010 Commonwealth Avenue	x			
Department of Public Safety Criminal History Systems Board	x			
Division of State Police 1010 Commonwealth Avenue	x			
Dept. of Youth Services Judge Connelly Center Roslindale	x			
Rate Setting Commission 1 Ashburton Place	x			
Dept. of Environmental Quality Engineering Division of Water Pollution Control Winter Street, Boston	x			
Dept. of Mental Health Lindemann Center, Boston		x		
Mass. Rehabilitation Commission Hamilton Place		x		
Dept. of Public Health State Laboratory Institute Jamaica Plain		x		

<u>Agency</u>	<u>Accurate</u>	<u>Satisfactory</u>	<u>Unsatisfactory</u>	<u>Unacceptable</u>
Dept. of Public Welfare 41-43 Hawkins Street			x	
Dept. of Public Safety Criminal Justice Information System 1010 Commonwealth Avenue			x	
Dept. of Social Services, Region VI 69 Canal Street			x	
Mass. Rehabilitation Commission 59 Temple Place			x	
Dept. of Public Health 600 Washington Street			x	
Mass. Rehabilitation Commission 80 Boylston Street			x	
Dept. of Social Services* 150 Causeway Street				
Dept. of Public Welfare 600 Washington Street, Boston				x
Dept. of Corrections 100 Cambridge Street				x
Metropolitan District Commission 20 Somerset Street				x
Dept. of Public Works Research and Materials Division Wellesley				x
Dept. of Public Works 100 Nashua Street				x
Dept. of Social Services* 150 Causeway Street				x

* This department was in the process of conducting its first physical inventory when the PAB team arrived.

Appendix E

ANALYSIS - EQUIPMENT (15) ACCOUNT BY TYPE

<u>SUB. 15 - EQUIPMENT</u>	<u>FISCAL YEAR 1980</u>	<u>FISCAL YEAR 1979</u>	<u>FISCAL YEAR 1978</u>
701 - Auto - Passenger Cars	\$ 2,862,658	\$ 3,742,445	\$ 983,730
704 - Construction & Maint. Equip.	5,061,703	1,805,477	784,493
705 - Educ., Medical, Tech. & Rec. Equip.	3,650,547	4,308,205	2,102,028
706 - Farm Equip.	182,022	228,018	47,464
707 - Plant, Shop & Operation Equip.	376,059	292,525	207,874
712 - Office Equip.	3,042,846	3,215,338	1,994,871
713 - Housekeeping & Laundry Equip.	848,948	577,422	120,261
714 - Data Processing Equip.	586,251	251,133	-
729 - Other Equip.	2,551,713	1,596,524	1,222,968
811 - Reserve for Liabilities	<u>4,341,398</u>	<u>4,626,590</u>	<u>3,665,586</u>
Totals	<u><u>\$23,504,145</u></u>	<u><u>\$20,643,677</u></u>	<u><u>\$11,129,275</u></u>

Source: State Comptroller
Direct Expenses - State Funds by Object and Subsidiary

REPORT HIGHLIGHTS

- * *Statewide equipment expenditures exceeded \$55,000,000 for the three year period from Fiscal Year 1978 through Fiscal Year 1980.*
- * *There are no uniform standards in place for maintaining a perpetual inventory control system.*
- * *The absence of uniform standards impacts on the quality of individual agency inventory systems from no system at all to systems which provide for total accountability over equipment.*
- * *Agencies give inventory control a low priority.*
- * *Proposed legislation requiring an annual inventory is recommended together with administrative changes and the development and implementation of a standard inventory control manual.*

HOUSE POST AUDIT AND OVERSIGHT COMMITTEE

Rep. Kevin W. Fitzgerald, Chairman

Rep. Raymond A. Jordan, Jr., Vice Chairman
Rep. Gregory W. Sullivan
Rep. Denis Lawrence
Rep. Alfred A. Minahan, Jr.
Rep. Bruce N. Freeman

Rep. Michael J. Rea, Jr.
Rep. William R. Keating
Rep. Michael W. Morrissey
Rep. Theodore C. Speliotis
Rep. Walter A. DeFilippi

HOUSE POST AUDIT BUREAU

Richard F. Tobin, Jr.
Director

